

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 268 - HB 316**

February 14, 2023

**SUMMARY OF BILL:** Establishes the “Money Transmission Modernization Act” to promote regulation coordination among states and standardize the types of activities that are subject to licensing by the Department of Financial Institutions (DFI). Specifies the various types of activities included in the definition of money transmission that are subject to licensing by DFI. Authorizes the Commissioner of DFI to utilize the Nationwide Multistate Licensing System and Registry for all aspects of licensing including licensing applications, renewals, background checks, and examinations for individuals and entities engaging in money transmission. Sets standards and regulations related to money transmitter licensees’ examinations and reviewing licensure applications. Sets standards regarding how the Commissioner of DFI must deal with confidential information and allows the Commissioner of DFI to participate in multistate supervisory processes established between states and coordinated through the Conference of State Bank Supervisors, Money Transmitter Regulators Association, and affiliates. Authorizes the Commissioner of Financial Institutions to implement licensing provisions in a manner that is consistent with other states that have adopted a multistate licensing process.

Requires licensees to disclose on their website and post on their premises the phone number for DFI and a statement that licensee’s customers can contact DFI with questions or complaints about a licensee. Requires licensees to provide a sender a receipt for a transaction and to make refunds to senders in certain circumstances. Requires licensees to pay an annual supervision fee for licensure, rather than a separate examination fee and application or renewal fee. Allows DFI to recover any costs incurred by DFI for performing examinations of unlicensed persons or entities. Effective January 1, 2024.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – Shifting money transmitter licensees from paying a separate fee for examinations and for applications or renewals, to paying an annual supervision fee that is prorated across the DFI’s Compliance Division’s annual budget will create a minimal, unquantifiable, decrease in state revenue to DFI in FY23-24 and subsequent years.**

**The Governor’s proposed budget for FY23-24, on page A-33, includes a recurring decrease in revenue to the Department of Financial Institutions in the amount of \$18,000.**

Assumptions:

- Currently, DFI has a funding formula that allocates the budget for their Compliance Division, which oversees all non-depository institutions regulated by DFI; however, money transmitters are excluded from such assessment.
- The proposed legislation will shift money transmitter licensees from paying a standard separate examination fee and application or renewal fee to paying the annual supervision fee pursuant to Tenn. Code Ann. § 45-1-118(i)(4)(A). This fee is calculated by prorating the Compliance Division's annual budget across the population of all its regulated licensees.
- Other entities regulated by the Compliance Division have experienced a reduction in fees following the transition to an overall supervision fee, and it is assumed that money transmitter licensees will experience overall savings as well.
- Money transmitters represent less than one percent of total entities regulated by the Compliance Division of DFI.
- Total collections from Money Transmitter renewal and application fees were \$241,508 in the first half of FY22-23, or 4.28 percent (\$241,508 / \$5,649,147) of total revenue raised by the Compliance Division of DFI in the first half of FY22-23.
- Based on information provided by DFI, the decrease in fee collections on corresponding renewals, applications, and examinations from assessing only one annual supervision fee for money transmitter licenses will be minimal and cannot be quantified with reasonable certainty. However, DFI will collect fees in an amount sufficient to offset the expenditures incurred in regulating these entities.
- The proposed legislation may create a decrease in state expenditures through efficiencies in time, decreases in operating expenses to review applications, and decreases in expenses to review conduct exams because of the Nationwide Multistate Licensing System. However, any such decrease is estimated to be not significant.
- The proposed legislation will not create a need for new regulatory staff to the Compliance Division of DFI.

## IMPACT TO COMMERCE:

**Other Commerce Impact – A minimal, unquantifiable, net decrease in business expenditures in FY23-24 and subsequent years.**

Assumptions:

- Based on information provided by DFI, the decrease in fee collections on corresponding renewals, applications, and examinations from assessing only one annual supervision fee for money transmitter licenses will be minimal and cannot be quantified with reasonable certainty.
- Therefore, there will be a minimal net decrease in business expenditures in FY23-24 and subsequent years. However, any decrease is unquantifiable.
- Any impact on the total number of jobs in this state is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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